

Fact Sheet

INVESTMENT PROGRAM

California Public Employees' Retirement System • 400 Q Street • Sacramento, California 95811

CalPERS Infrastructure Program

Background

Infrastructure includes physical structures, facilities and networks that provide services that are essential to a community's economic productivity. These can be either privately-owned assets or those owned and/or operated by government entities. For example, economic infrastructure includes transportation, energy utilities, and communications networks. Specifically, infrastructure is about bridges and tunnels, toll roads, airports and seaports, and rail systems; clean energy projects, pipelines, power distribution/transmission, and water treatment/distribution systems; broadcast and wireless towers, cable systems, and satellite networks.

CalPERS has many billions of dollars in as-yet unquantified investments in infrastructure – indirectly through holdings of public company stocks, private equity funds, and real estate assets. Until Board action to adopt an infrastructure pilot program on September 10, 2007, CalPERS has had no program for direct investments in infrastructure.

Demand for Infrastructure

- Researchers estimate that \$1.6 trillion will be required for U.S. infrastructure projects over the next five years.
- Governments are facing budgetary restraints, and municipal bonds that have been widely used to finance infrastructure cannot keep pace with the demand.
- Other pension funds in Canada, Australia, and Europe have been successfully investing in infrastructure. The share of private capital in new infrastructure developments is increasing.

Reasons for Infrastructure investing

- It will help to diversify CalPERS assets and “hedges” against inflation over a long term; infrastructure returns generally don't correlate closely to the usual ups and downs of the business cycle and traditional asset classes.
- The likely return on investment will meet or exceed the Consumer Price Index (a generally accepted benchmark for inflation) plus 5 percent.
- Capital intensive assets with stable cash flows over several decades

CalPERS Infrastructure Plan

- Up to \$2.5 billion for the pilot program will become formal as early as June 2008.
- Infrastructure will be a component of a new inflation-linked asset class also including commodities, inflation-linked bonds, and timber.
- Allocations will include existing infrastructure projects to be part of pilot program, and new allocations from U.S. equities and fixed income programs.

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